

S E C R E T

15 November 1977

MEMORANDUM FOR: The Director

FROM :

SUBJECT : Response to YOur Questions on Soviet Grain Estimate

1. Brezhnev made his announcement on 2 November 1977.

2. World grain prices were only marginally affected by that announcement, which means that the futures market had already discounted the rumors of Soviet grain purchases. Cargill, a Minneapolis trader, has predicted less than 200 Million tons since June and the Canadian wheat board has predicted 190-200 Million tons for several weeks.

3. Yes, it would have been logical for us to deduce from the rumors of Soviet grain purchases that their harvest was going to be low. But there could have been other reasons, e.g. they had decided to build up stocks during an American bumper crop year where prices were low, for fairly large purchases. In any case the range of "rumors" was and is huge, e.g. it's still about 8 to 40 Million tons while about 25 Million tons is our best guess. OGCR was very careful, however, to ignore these "rumors" in the grain production model, which is based on "harder" inputs. Their analysts were very "concerned" though, by these rumors....

4. Department of Agriculture estimates of our own spring wheat production have historically had a similar degree of accuracy (they do better on corn and winter wheat):

3 months prior to harvest	\pm 11%	average error since 1970
2 months prior to harvest	\pm 6%	
1 month prior to harvest	\pm 2.5%	

5. Yes, we think the Soviets are deliberately falsifying their weather data. The large gaps and discrepancies in their reports make it appear to be more than a procedural problem in forecasting and reporting. The too, feel that the Soviets are falsifying their weather data

25X1A
25X1A

S E C R E T